

TEACHERS' RETIREMENT BOARD

REGULAR MEETING

SUBJECT: Update on State Legislation

ITEM NUMBER: 7a

ATTACHMENT (S): 1

ACTION:

MEETING DATE: October 8, 1998

INFORMATION: X

PRESENTER: Ms. DuCray-Morrill

Budget Update

Summary

The Budget Bill was signed on August 21 by the Governor. The Budget Act includes language to require the System to perform a valuation on June 30, 1998 data to be completed by April 1, 1999 instead of waiting until June 30, 1999 data, when the next scheduled valuation is to be conducted. The Budget Act also includes an additional \$50,000 from the Teachers Retirement Fund to pay for the valuation.

Recommendation

The Staff continues to recommend the Board take no action at this time to deviate from the current schedule for conducting CalSTRS actuarial valuations. Based on this schedule, the next valuation will be conducted on June 30, 1999 data and will be presented to the Board approximately March 2000. The Board could choose to modify the current schedule at a future date if that action was deemed appropriate.

Given the enactment of the benefit enhancement package, the maximum benefit to the General Fund of accelerating the valuation is substantially less than it would have been under the law in effect when the Budget Act was signed. Staff will be talking to interested legislators about the need for an accelerated valuation, given the enactment of the new funding mechanism. If the valuation determines that the TRF was fully funded, General Fund contributions to the TRF would only decline by about \$85 million in 1999-2000.

Monthly Status

Also attached for your information is a status report that represents the progress of legislation to date (Attachment I).

CA AB 88 AUTHOR: Baca
 TITLE: CalSTRS: Rule of 85
 AMENDED: 04/02/98
 LOCATION: Vetoed
 POSITION: *Support

COSTS: Program - No cost to system, all costs paid by employer
Administrative –No cost to system, all costs paid by employer

P - CTA (Sponsor), ACSA, ART, BOG, CalSTRS, CFT, CRTA, FACCC, UTLA
O - Cal-Tax, DOF

CA AB 884 AUTHOR: Honda
 TITLE: Compounded COLA
 AMENDED: 03/02/98
 LOCATION: Senate Appropriations (Suspense File)
 POSITION: *Support, if amended

SUMMARY: Requires that the “2% improvement factor” applied to benefit payments from the CalSTRS Defined Benefit Plan be compounded, beginning September 1, 1999.

COSTS: Program - 0.944% of payroll or \$154 million (1997/98 payroll estimated \$16.35 billion)
Administrative - One time cost of \$196,000

P - CFT (Sponsor), ACSA, ART, BOG, CRTA, CTA, FACCC, FCPHE, UTLA
O - Cal-Tax, DOF

CA AB 1102 AUTHOR: Knox
TITLE: CalSTRS Benefits
AMENDED: 08/27/98
LOCATION: To Governor
POSITION: *Co-sponsor

SUMMARY: Extends eligibility to receive credit at retirement for unused sick leave to those who became members on and after July 1, 1980, and who retire on or after January 1, 1999. Vests the funding stream transferred to the SBMA, as specified. Increases the age factor of the member with 30 or more years of service, by .2% up to 2.4% of final compensation.

COSTS: Program - Annual cost of \$140 million to finance the cost of the career factor and unused sick leave for 30 years
Administrative - Minor, absorbable

P - CalSTRS, ACSA, ART, BOG, CalPERS, CFT, CRTA, CSEA, CTA, FACCC, UTLA
O - None Known

CA AB 1150 AUTHOR: Prenter and Ashburn
 TITLE: 2.4% of age 63
 AMENDED: 08/27/98
 LOCATION: To Governor
 POSITION: *Co-sponsor

SUMMARY: Increases the benefit factor of 2% at age 60 to 2.400% at age 63.

COST: Program - \$331 million annually for 30 years
Administrative - One time cost of \$150,000, of which \$100,000 is absorbable. START costs undetermined at this time

P - Authors, CalSTRS, ACSA, ART, CFT, CRTA, CTA, FACCC, UTLA
O- None Known

CA AB 1744 AUTHOR: Knox, Honda & Pereta
TITLE: Tobacco Investments
AMENDED: 05/07/98
LOCATION: Assembly Appropriations (Suspense File)
POSITION: *Oppose

SUMMARY: Would: 1) prohibit new or additional investments by the TRF and the PERF in tobacco companies on and after January 1, 1999; 2) require phased divestment of one-third of current holdings each year beginning January 1, 2000, and continuing until January 1, 2002; 3) require the Board to make specified investment valuations at specified intervals; declare that specified results of such valuations be considered as a normal cost deficit pursuant to Section 22955 (Elder Full Funding); and 4) require both STRS and PERS to report to the Legislature on or after January 1, 2002 regarding the effect of the divestiture on employer contribution rates. The bill provides for indemnification for Board members and their agents and employees in the event of lawsuit.

COST: Program - Annual investment losses of \$28.1 million and a one time cost of \$8.1 million in lost commissions, or 2.15% of the value of STRS tobacco holdings to divest in tobacco and related investments

Administrative - Possible \$.9 million in commissions, or about \$300,000 each of the three years, to divest in tobacco and related investments

P - Authors (Sponsors), AFSCME, ALA, CPFFA, CalPIRG, CTA, Phil Angelides
for Treasurer

O - Cal-Tax, PERS, STRS, Other interested parties

CA AB 2766 AUTHOR: Assembly PER&SS
TITLE: Final Comp for LAUSD
AMENDED: 04/20/98
LOCATION: Senate Appropriations (Suspense File)
POSITION: *Oppose

COST: Program - No net costs to system; LAUSD would be required to pay the actuarial present value of any benefit increase
Administrative - Significant, approximately \$500,000 for implementation of the LAUSD final compensation proposal

CA AB 2768 AUTHOR: Assembly PER&SS
 TITLE: Board Elections
 LOCATION: Vetoed
 POSITION: *No Position

COST: Program - None
Administrative - Annual costs would vary according to the Board composition under election. However, estimated \$288,864 for FY 1998-99; \$148,740 for FY 1999-2000; \$85,936 for FY 2000-01.

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P - Author (Sponsor), AFSCME, ACS, AHA, ALA, CPFFA, CalPIRG, Phil
Angelides for Treasurer
O - Cal-Tax, CalPERS, CalSTRS, The Tobacco Institute

CA SB 1945 AUTHOR: Karnette
 TITLE: CalSTRS Home Loan Program
 LOCATION: Enacted 08/31/98 (Chapter 419, Statutes of 1998)
 POSITION: *Co-sponsor

CA SB 2047 AUTHOR: Lewis
 TITLE: Change in Option
 LOCATION: Enacted 08/24/98 (Chapter 349, Statutes of 1998)
 POSITION: *Sponsor

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CA SB 2085 AUTHOR: Burton
 TITLE: CalSTRS Cash Balance Plan
 AMENDED: 08/24/98
 LOCATION: To Governor
 POSITION: *Co-sponsor

CA SB 2126 AUTHOR: Senate PE&R
TITLE: Repurchase of Service Credit
AMENDED: 08/25/98
LOCATION: To Governor
POSITION: *Sponsor

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LEGEND OF ABBREVIATIONS

P = PROPONENTS O = OPPONENTS

<u>ABBREVIATION</u>	<u>ORGANIZATION</u>
AALA	Associated Administrators of Los Angeles
ACCCA	Association of California Community College Administrators
ACLU	American Civil Liberties Union
ACS	American Cancer Society
ACSA	Association of California School Administrators
AFSCME	American Association of State, County and Municipal Employees
AFT	American Federation of Teachers
AGENCY	State and Consumer Services Agency
AHA	American Heart Association
ALA	American Lung Association
ALADS	Association for Los Angeles Deputy Sheriffs
ART	Association of Retired Teachers
AGO	Attorney General's Office
BOE	Board of Equalization
BOG	Board of Governors, California Community Colleges
Cal-Tax	California Taxpayers Association
CalPERS	Public Employees Retirement System
CalSTRS	State Teachers' Retirement System
CalPIRG	California Public Interest Group
CASBO	California Association of School Business Officers
CCA	Community College Association
CCAE	California Council for Adult Education
CFA	California Faculty Association
CCC	California Community Colleges
CFT	California Federation of Teachers
CHA	California Heart Association
CPOA	California Peace Officers' Association
CPCA	California Police Chiefs' Association
CPFFA	California Professional Firefighters Association
CRTA	California Retired Teachers Association
CSAC	California Association of Counties
CSBA	California School Boards Association
CSEA	California School Employees Association
CSL	California Senior Legislature
CSU	California State University
CTA	California Teachers Association
DOE	Department of Education
DOF	Department of Finance
DGS	Department of General Services
DPA	Department of Personnel Administration
FACCC	Faculty Association of California Community Colleges
FCPHE	Faculty Coalition for Public Higher Education

LEGEND OF ABBREVIATIONS

P = PROPONENTS O = OPPONENTS

<u>ABBREVIATION</u>	<u>ORGANIZATION</u>
FTB	Franchise Tax Board
FSC	Free Speech Coalition
LADSA	Los Angeles Deputy Sheriffs ' Association
LAUSD	Los Angeles Unified School District
MPAA	Motion Picture Association of America, Inc.
OCDE	Orange County Department of Education
PARS	Public Agency Retirement System
PRF	Public Employees Retirement Fund
RPEA	Retired Public Employees Association
RIAA	Recording Industry Association of America
SACRS	State Association of County Retirement Systems
SCDSA	Sacramento County Deputy Sheriffs Association
SBMA	Supplemental Benefit Maintenance Account
SDCOE	San Diego County Office of Education
SEIU	Service Employees International Union
SLC	State Lands Commission
SSC	School Services of California
SSDA	Small School Districts' Association
START	State Teachers ' Automation Redesign Team
TFD	Teachers for Fair Disability
TRB	Teachers' Retirement Board
TRF	Teachers' Retirement Fund
TRL	Teachers' Retirement Law
USERRA	Uniformed Services Employment and Reemployment Rights Act
UTLA	United Teachers Los Angeles

STANDING COMMITTEES OF THE ASSEMBLY/SENATE

Assembly PER&SS	Assembly Public Employees Retirement and Social Security
Senate IR	Senate Industrial Relations